



Your Health. Take Charge.

Q&A about Healthcare Benefit Changes

Rationale for Healthcare Benefit Changes

1. Why is Sandia making all these healthcare changes?

Sandia is facing unprecedented financial challenges associated with future pension and healthcare costs. These projected pension and healthcare costs are unsustainable given Sandia's future budget forecasts. Sandia also has a contractual requirement to continue to make progress in bringing the value of our overall benefits more in line with the value of benefits being offered by an industry comparator group comprised of similar research organizations and a select group of large industrial companies. Sandia must make these changes to manage future costs and liabilities.

2. How are these healthcare changes going to help Sandia?

Sandia Total Health represents a strategy to manage healthcare costs by encouraging healthcare consumerism and improving overall health through an integrated approach to health and wellness. This includes a focus on prevention and healthy lifestyles, the management of chronic conditions and behavior modification aimed at changing risk factors. If this strategy is successful, Sandia will be able to more effectively manage increasing healthcare costs and improve the overall health of employees.

About Sandia Total Health with the Health Reimbursement Account

3. How is Sandia Total Health different from the UnitedHealthcare Premier Plan?

Here's a look at the benefits available under Sandia Total Health compared to the UnitedHealthcare Premier Plan:

Plan Feature	What's Different between Sandia Total Health and the Premier Plan?
Employee Premium Share	The plans have the same percentage, but your premium will be lower with Sandia Total Health, which means less out of your paycheck; however, please note that funding levels may change in the future.
Annual Deductible	Sandia Total Health works a little differently than the Premier Plan because you have a deductible to pay.
Health Reimbursement Account Contribution from	A key difference is that Sandia Total Health offers a Sandia-

Plan Feature	What's Different between Sandia Total Health and the Premier Plan?
Sandia	funded Health Reimbursement Account, which you can use to help pay for the deductible and other out-of-pocket costs. Sandia funds the account, and no employee contribution is required. And if you don't use the entire amount, you can roll it over to the next plan year, subject to a maximum limit. Sandia Total Health will be the only plan with a Health Reimbursement Account in 2010.
Preventive Care	There is no difference.
Coinsurance (% of expenses you pay)	There is a 5% increase in coinsurance with Sandia Total Health
Office Visits	You pay a coinsurance for office visits with Sandia Total Health, unlike the Premier Plan, which charges a co-pay.
Prescription Drugs	There will be a limit to your annual spending on prescription drugs with Sandia Total Health, unlike the Premier Plan.
Annual Out-of-Pocket Maximum (excludes deductible and prescription drugs)	Sandia Total Health out-of-pocket maximum is higher.
Your Flexible Spending Account (FSA) Contribution	There is no difference.

4. What is a deductible?

A deductible is the amount you must pay each year out of your pocket before your plan benefits begin. Your deductible amount will be based on the level of coverage you have (employee only, employee + spouse or employee + child(ren), employee + family). However, with Sandia Total Health, preventive care is covered at 100% (in-network) with no deductible required.

5. What is an out-of-pocket maximum?

In general, this is the maximum amount you'll pay for medical expenses each year, excluding the deductible and certain coinsurance amounts. After you reach your annual out-of-pocket maximum, the plan pays 100% of remaining eligible expenses. Prescription drug coinsurance amounts are not included in the overall out-of-pocket maximum, as there is a separate in-network, annual out-of-pocket maximum for prescription drugs.

6. What are the benefits of Sandia Total Health with a Health Reimbursement Account?

One key benefit of Sandia Total Health is that Sandia funds the Health Reimbursement Account. No employee contribution is required. And if you don't use the entire amount, you can roll it over to the next plan year, subject to a maximum limit.

With Sandia Total Health, you'll have the opportunity to be a more informed and engaged healthcare consumer, and a better manager of your healthcare expenses. Sandia will provide education and tools to help you learn about the cost of certain healthcare treatments and how to research the best options available to help you manage your HRA dollars. Sandia will also provide wellness education to help you learn how to live a healthy lifestyle, which will have benefits for your health and for your wallet.

It will be important for all Sandia employees to become smarter "consumers" of healthcare services by better understanding how to effectively purchase services, seek treatment, and live a healthier lifestyle. Not all of the plan design decisions have been finalized yet. More information on Sandia Total Health will be available over the next few months — before Open Enrollment in the fall.

7. What is the difference between the HRA and an FSA?

Sandia will continue to offer a Flexible Spending Account (FSA) in addition to the HRA. Just like with the HRA, you can use the FSA to reimburse yourself for healthcare expenses you pay, such as the deductible and coinsurance; however, with the FSA, you can also reimburse yourself for healthcare expenses not covered by your medical plan. In addition, the FSA can help you save on taxes because the money you put in your FSA is deducted from your paycheck before taxes.

Here are some other key differences:

FSA	HRA
All eligible employees can enroll.	You're only eligible if you (the employee) complete the Health Assessment <i>and</i> your biometric screenings.
You fund your account each paycheck.	Sandia funds your account once a year.
You elect how much to contribute during the year (up to a maximum amount).	Sandia makes a contribution based on your level of coverage.
You lose any money left in your account at the end of the plan year.	Any money left in your account at the end of the plan year will roll over to the next year, subject to a maximum limit.

8. Is Sandia Total Health going to cost me more out of my paycheck?

In most cases, your monthly premiums will be lower than for any of the other medical plan options for 2010 because the cost of Sandia Total Health is lower than that of our current plans.

9. Is Sandia Total Health going to cost me more out of my pocket when I use healthcare services?

The plan works a little differently than traditional coverage, because you have a deductible to pay and you pay a percentage of the cost of services (coinsurance) -- except for preventive care, which is covered at 100% (in-network) with no deductible required. However, you also have a Sandia-funded HRA, which you can use to help pay for the deductible and other out-of-pocket costs. This means that each individual experience will be a little different. If your total claims are less than the amount Sandia contributes to the HRA, your out-of-pocket costs will actually be less under this plan than under any of the plans Sandia currently offers. One key benefit of Sandia Total Health is that Sandia will provide education and tools to help you learn about the cost of certain healthcare treatments and how to research the best options available, to help you manage your HRA dollars and live a healthier lifestyle.

10. Am I going to be able to go to the same doctor?

Most likely, yes. Sandia Total Health will be offered through the networks we use today: Presbyterian, Lovelace, and Kaiser. However, all the plan details haven't yet been finalized. More information will be available over the next few months — before Open Enrollment in the fall.

11. Will my physician be familiar with Sandia Total Health?

Most providers are beginning to learn about CDHP/HRA plans, as this type of plan has been gaining momentum nationwide. This type of plan is very similar to a Preferred Provider Organization (PPO), a type of healthcare plan with which they have been comfortable for years. Just like today, you'll present your ID card when you receive healthcare services so your physician's office knows what type of plan you use.

12. Will I still have access to out-of-network benefits under Sandia Total Health?

Yes, this plan will provide both in-network and out-of-network benefits; however, your costs for using out-of-network benefits will be higher than if you use the in-network benefits.

What to Expect Over the Next Few Months

13. Are there any other changes to the healthcare benefits for 2010?

There are no other healthcare plan design changes being considered for 2010. However, we're still making decisions on how your medical plans will be administered. More details about the plan vendors will be available over the next few months — before Open Enrollment in the fall.

14. When will I receive more details about the benefit changes?

Sandia is committed to making sure you have all the information you need to understand these changes and how they will affect you and your family. This month, you'll have the opportunity to learn more in the July 16 issue of Lab News. We'll also be hosting a live webcast to discuss some of these changes and provide information about how they fit in with the goals of the organization. In addition, you'll have the opportunity to participate in interactive blog sessions. These live sessions will allow you to ask questions about the benefits changes and to have them answered on the spot. More information about the benefit changes is also available at the new "Take Charge" health benefits page on the HBE site. In August, you'll have access to an interactive presentation with more detailed information about the changes. Please take the time to study these materials and share them with your family.

Other Important Questions

15. What is the breakdown of total healthcare costs for employees, PreMedicare retirees and Medicare retirees?

The most recent, complete numbers that are available are from calendar year 2008. During that year the total healthcare costs were:

- Employees: \$69.3 million
- PreMedicare retirees: \$9.8 million
- Medicare retirees: \$19.2 million

16. Since Sandia will be moving to a single CDHP in 2011, will the Kaiser HMO Plan still be offered to California employees in 2011?

Currently, the Kaiser fully-insured funding arrangement is very limited when it comes to plan design changes and does not allow for Sandia to move to the CDHP design in 2011. HBE/Benefits has every intention to keep Kaiser as a viable California physician/facility network option, and will be working with Kaiser with the goal of establishing a contract that will allow the flexibility required to meet Sandia's new health plan strategy.

17. Are there any changes to survivor healthcare benefits?

Survivors will have the same options as retirees for healthcare plans and will be subject to the retiree cost-sharing arrangements and stipends, but at lower levels. As of January 1, 2010, survivors will not be eligible for the first 6 months at the employee or retiree premium-share.

18. If I retire as a PreMedicare retiree before January 1, 2011, will I go in the current or new Medicare benefits when I turn age 65?

You will have the same post-retiree health plan choices that current retirees will have at the time you reach age 65.

19. Are there going to be any changes for Sandians who have “dual choice” when it comes to healthcare coverage? For example, if both spouses worked at Sandia and one is a current retiree, can the employee who is not yet retired still get covered under their spouse when they retire?

At this time, there are no plans to change this. If one spouse retires, the employee can elect to be a dependent of their retired spouse upon retirement.

20. How will President Obama’s healthcare legislation affect Sandia’s plans?

Sandia and our healthcare consultant have reviewed the various reform proposals being developed by Congress and the Administration. It is difficult to predict what final healthcare reform proposal will be acted upon. However, nearly all of the reform proposals put an emphasis on healthcare consumerism and wellness. This is the focus of Sandia Total Health.

It is also important to point out that there have been no final decisions made on any healthcare reform legislation. However, Sandia is monitoring the legislation proposals and if and when passed, we will evaluate it for potential impacts on our healthcare plans.

Sandia Corporation’s benefit plans are maintained at the discretion of Sandia. They do not create a contract of employment. The plans may be suspended, modified, or discontinued at any time and without prior notice, subject to applicable collective bargaining agreements and except as otherwise provided by applicable law.